

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. RPU-94-3
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ORDER ALLOWING INCENTIVE GAS SUPPLY PROCUREMENT PLAN AWARD

(Issued October 30, 2002)

On August 29, 2002, MidAmerican Energy Company (MidAmerican) filed its six-month report of the results of the Incentive Gas Supply Procurement Plan (IGSPP) with the Utilities Board (Board). The filing was identified as Docket No. RPU-94-3. The six months are the period from November 2001 through April 2002. Depending upon the results, MidAmerican can earn a reward, which would be reflected in the November 2002 through April 2003 purchased gas adjustment factor.

The IGSPP was originally approved by a "Final Decision and Order" issued on May 19, 1995, and an "Order Granting Rehearing In Part And Denying Rehearing In Part" issued June 30, 1995. The plan as originally approved consisted of four primary components in which actual gas supply costs were measured against market-based benchmarks. The components are (1) natural gas commodity costs, (2) pipeline reservation costs, (3) storage injection costs, and (4) transportation costs.

On May 28, 1999, the IGSPP was extended for a two-year period based upon a settlement between MidAmerican and the Consumer Advocate Division of the

Department of Justice. The settlement retained the mechanics of the plan, but changed the calculations of savings. An amendment to the settlement was approved by the Board on February 17, 2000. The settlement, as amended, changed the reference price in the commodity costs component to recognize that MidAmerican was required to pay reservation costs for firm supply to ensure reliability. For the pipeline reservation costs, the reference price was changed from the Federal Energy Regulatory Commission (FERC) authorized maximum rates to reasonably comparable contracts in terms of pipeline company, receipt points, and service for the previous year. No changes were made in the agreement to the storage injection costs component and the transportation costs component. On July 12, 2000, the Board again extended the plan until October 2002.

The plan is designed to share savings between MidAmerican's shareholders and ratepayers. To continue to earn savings, MidAmerican must keep negotiating more favorable discounted contracts. Thus, the plan operates as a true incentive for MidAmerican to continually improve its purchasing methods and practices. The results filed by MidAmerican on August 29, 2002, show that costs were below the benchmark. Based upon these results, MidAmerican is entitled to an award, which will be reflected as an IGSPF factor. The Board finds that the IGSPF factor should be added to the November 2002 through April 2003 purchased gas adjustment filings made by MidAmerican.

IT IS THEREFORE ORDERED:

MidAmerican Energy Company is allowed to add the IGSP factor from its August 29, 2002, filing to its purchased gas adjustment filings for November 2002 through April 2003.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 30th day of October, 2002.